

ATTACHMENT IV FINANCING

1.0 Financing Principles

1.1 Operating Practices

The LME shall adhere to Generally Accepted Accounting Principles and all federal and state regulations. Guidance in program accounting procedures shall be provided by but not limited to the following documents:

- (1) OMB Circular A-87
- (2) OMB Circular A-133
- (3) G. S. Chapter 159
- (4) Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants (current edition).

2.0 Funding

2.1 Systems Management

The LME shall be paid a monthly Systems Management payment based on the modeled costs of the system management functions listed in this section. The payment is based upon the cost that should be predicted for an efficient Systems Manager.

The Systems Management payment will be funded entirely by the Department. If a county chooses to provide additional funding for Systems Management functions, such additional funding must be in addition to the funding required of counties by G. S. 122C-115.

The Systems Management payment will cover the following LME functions:

- (1) General Administration and Governance
- (2) Business Management and Accounting
- (3) Information Management Analysis and Reporting
- (4) Claims Processing
- (5) Provider Relations and Support
- (6) Access, Screening, Triage and Referral
- (7) Service Management (Utilization Management, Service Coordination and Community Collaboration)
- (8) Consumer Affairs and Customer Services
- (9) Quality Improvement and Outcomes Evaluation.

2.2 Funds for Services Allocated by the DMH/DD/SAS

The Department shall provide the LME with an annual allocation of State and State-allocated federal funds for mental health, developmental disabilities and substance abuse services to non-Medicaid eligible consumers and for non-Medicaid covered costs and services. Allocations shall be designated as Unit Cost Reimbursement (UCR) or non-UCR. UCR allocations shall be earned through IPRS. Non-UCR expenditures shall be paid and settled in accordance with the DHHS Cash Management Plan and procedures established and conducted by the DHHS Office of the Controller. The initial Continuation Allocation of funds is included in the last page of this Attachment.

2.3 Medicaid Fee-for-Service Reimbursement

The DHHS shall reimburse the LME in accordance with Medicaid reimbursement policies for billings submitted by the LME for Medicaid eligible consumers receiving Medicaid covered services.

3.0 Reporting and Reconciling

3.1 Reporting

The LME shall report financial data to DHHS in a manner prescribed by the Secretary. Such reporting shall minimally include the following: a quarterly Fiscal Monitoring Report and a monthly Staffing matrix indicating personnel by classification and credentials and monthly certification statement of expenditures for cost allocation purposes. The monthly report shall be due by the 15th of the following month.

3.2 Reconciliation of Expenditures

The systems management LME payment will be subject to a year-end reconciliation process to ensure that Medicaid funds have not been paid in excess of actual cost. Medicaid regulations, Medicaid State Plan, Attachment 4.19-B, Section 13 limit federal financial participation to actual cost in public agencies. If the year-end reconciliation determines that federal Medicaid funds have been paid in excess of Medicaid-allowable cost, a reclassification of Medicaid funds to State funds will be made. If reconciliation of expenditures determines that expenditures were non-allowable for both Medicaid and State funds, an adjustment will be made to the subsequent year payment. Any State funds paid in excess of actual cost will not be subject to repayment, except in accordance with DMH/DD/SAS fund balance requirements. The year-end reconciliation process for Medicaid will be conducted by DHHS

3.3 Fund Balance

LMEs that are area authorities shall maintain a fund balance not to exceed 15%. If the fund balance exceeds fifteen percent (15%) of the LME's total budget, the funds

in excess of fifteen percent (15%) are subject to repayment to the Department in accordance with 10A NCAC 27A.0111. County programs and single county area authorities are not subject to these fund balance requirements.

4.0 First Party Payments

4.1 Sliding Fee Schedule

The LME's shall maintain a fee schedule in accordance with G.S. 122C-146.

4.2 Retention of Fees

Any required co-payments collected shall belong to the LME or its subcontracted providers, as defined in the provider's subcontract with the LME as an offset against the cost of service.